

Message Text

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TAGS: AFSP, ECON, IZ
SUBJ: PRICE INCREASES IN IRAQ

REF: STATE 229612

1. IRAQ'S STATE-CONTROLLED ECONOMY HAS FACILITATED SOME DEGREE OF CONTROL OVER DOMESTIC INFLATION. GOVERNMENT SUBSIDIES FOR STAPLE FOOD PRODUCTS, WHICH CONSTITUTE A LARGE PORTION OF EXPENDITURES BY LOWER INCOME GROUPS, HAVE PARTIALLY MITIGATED THE IMPACT OF INFLATION ON THESE GROUPS. IRAQI COL STATISTICS ARE HEAVILY WEIGHTED IN FAVOR OF SUBSIDIZED COMMODITIES.

2. ANALYSIS OF RECENTLY PUBLISHED STATISTICS PROVIDES THE FOLLOWING RESULTS:

COMMODITY GROUP	PRICE INCREASE 1977(PERCENT)	ANNUAL AVERAGE INCREASE 1974-77(PERCENT)
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FOODSTUFFS	8.2	8.8
CLOTH AND CLOTHING	11.3	8 9.4
SHOES AND BAGS	13.2	20.1
HOUSEHOLD GOODS	8.2	12.3
FUEL(EXCLUDING ELECT)	4.4	4.1
DETERGENTS & COSMETICS	-1.3	6.7
HOUSING	9.6	9.4

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CULTURE AND RECREATION	9.3	4.4
MISCELLANEOUS(NOT SPECIFIED)	11.6	13.2

3. IRAQI STATISTICS SHOW AN INCREASE OF 9.2 PERCENT IN THE OVERALL PRICE LEVEL IN 1977, SLIGHTLY BELOW THE 9.4 PERCENT AVERAGE INCREASE FOR THE PERIOD 1974-77. AS NOTED ABOVE, SUBSIDIZED FOODSTUFFS (49.73 PERCENT) AND HOUSING (16.52 PERCENT)

ACCOUNT FOR A MAJOR SHARE OF THE COL INDEX.

4. GOI-PUBLISHED FIGURES FOR HOUSING COST INCREASES ARE NOT APPLICABLE TO USINT BUDGETARY PROJECTIONS BECAUSE HOUSING LEASED BY DIPLOMATS IS EXEMPT FROM SUBSIDIES AND RENT CONTROLS. RENTAL COSTS OF REPRESENTATIONAL HOUSING ARE RISING RAPIDLY IN BAGHDAD AS FOREIGN COMPANIES BID UP PRICES. THE LANDLORD OF THE PRINCIPAL OFFICERS RESIDENCE, FOR EXAMPLE, RECENTLY DEMANDED A 300 PERCENT INCREASE IN ANNUAL RENTAL UNDER THE NEW LEASE THAT WILL HAVE TO BE CONCLUDED NEXT YEAR.

5. SEPARATE ANALYSIS OF FOOD COST INCREASES SHOWS THAT FOOD ITEMS USED BY FOREIGN RESIDENTS HAVE RISEN SHARPLY IN THE PAST FEW YEARS:

FOOD CATEGORY	ANNUAL AVERAGE INCREASE 1973-77 (PERCENT)
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GRAINS	5.6
PULSES, NUTS AND SEEDS	7.4
SWEETS AND BEVERAGES	5.2
VEGETABLES	13.6
FRUITS AND DATES	13.9
MEAT, FISH AND EGGS	19.1
MILK AND DAIRY PRODUCTS	11.2
FATS AND OILS	11.3
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OTHER FOODSTUFFS	7.5
0430-43\$ *99\$	18.5

IT IS NOTEWORTHY THAT THOSE FOODSTUFFS PURCHASED LOCALLY BY THE FOREIGN COMMUNITY ARE PRECISELY THE ONES WHICH HAVE RISEN MOST: MEAT, FISH, AND EGGS; PREPARED FOODSTUFFS; VEGETABLES, FRUIT AND DATES; MILK PRODUCTS; FATS AND OILS.

6. DECONTROL UPON RECEIPT.
PECK

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